



House Bill 5003, An Act Concerning the Unemployment Trust Fund
Appropriations Committee
March 22, 2022

The Mechanical Contractors Association of Connecticut (MCAC) is an association of trade union mechanical contractors who provide mechanical services in HVAC, plumbing, piping, sheet metal and other work, and are signatories to the Plumbers and Pipefitters Local 777 collective bargaining agreement. MCAC is a member of a coalition of industry organizations, including trade unions, construction contractors, school bus transportation companies, and nurseries and landscapers, that seek to reform the impact of Public Act 21-200 on employers of seasonal workers.

Proposed House Bill 5003 would appropriate funds in an amount to be determined to the Department of Labor (DOL) to be deposited into the Unemployment Trust Fund. The funds would be used to ensure availability of unemployment insurance to more workers in the future, reduce the impacts of the pandemic and assist in business recovery.

Public Act 21-200, which takes effect January 1, 2024, imposes new unemployment tax rates on businesses, particularly those that employ a seasonal workforce and experience high layoffs. The new law reduces the minimum experience tax rate from 0.5 percent to 0.1 percent and increases the maximum experience rate from 5.4 percent to 10 percent.

The new law is unbalanced and unfairly imposes the burden on seasonal employers of fixing the insolvency of the unemployment insurance fund. The state's unemployment insurance trust fund ran out of money in 2020 amid the COVID-19 lockdowns. State employers are now on the hook for over \$800 million borrowed from the federal government to make up the gap, and are likely to receive a state assessment later this year to cover that debt. For construction companies, those payments will be on top of the impending UI tax increases they will endure when the law takes effect in 2024.

Since most contractors – those who experience both high seasonal layoffs and layoffs that occur periodically throughout the year depending on

availability of work – are calculated by the CT DOL to be at the maximum tax rate, they will experience substantial increases in their unemployment taxes, beginning Jan. 1, 2024. Unemployment taxes for many contractors are expected to double.

When PA 21-200 takes effect in 2024, it will act as a disincentive for employers to hire employees; in fact, employers are likely to hire fewer workers to manage their tax exposure. Contractors will be forced to pass on those increases in their bids and negotiated prices resulting in higher costs to taxpayers and owners throughout Connecticut. In order to gain a competitive advantage, some in the construction industry will resort to misclassifying more workers as independent contractors thus skirting the state's labor laws. As construction companies downsize their workforce, job opportunities in the industry's apprenticeship and pre-apprenticeship programs will be reduced.

The General Assembly needs to change the current unemployment insurance system to relieve the burden that employers who regularly experience periodic layoffs will be hit with from a doubling of their current unemployment taxes in 2024, in addition to the additional payments to pay down the debt incurred during the pandemic. A potential legislative solution would be to adjust the minimum and maximum UI tax rates and tie them to the solvency of the unemployment fund.

Mechanical contractors support meaningful reforms that would ensure the fund is solvent for future workers, but the new law does not create stability in the unemployment trust fund. MCAC wants to work cooperatively with the General Assembly to develop more equitable solutions to this problem.

Many construction contractors and businesses in Connecticut have suffered significant hardship over the past several years. Businesses will have to pay for the massive federal borrowing that ensured unemployed workers receive benefits. Connecticut already has some of the highest unemployment taxes in the nation.

Please contact Kristen Brainerd Abrahamson, Executive Vice President of MCAC, at (203) 248-3098, for additional information or any questions.